

SENATE RECORD VOTE ANALYSIS

105th Congress
1st Session

Vote No. 170

July 10, 1997, 7:01 pm
Page S-7185 Temp. Record

DEFENSE AUTHORIZATION/Contractor Employee Pay Cap

SUBJECT: National Defense Authorization Act for fiscal year 1998 . . . S. 936. Thurmond motion to table the Boxer/Grassley amendment No. 636.

ACTION: MOTION TO TABLE AGREED TO, 83-16

SYNOPSIS: As reported, S. 936, the National Defense Authorization Act for fiscal year 1998, will authorize a total of \$268.2 billion in budget authority for national defense programs (the President requested \$265.6 billion). In real terms, this bill will authorize \$3.3 billion less than was provided in fiscal year (FY) 1997.

The Boxer/Grassley amendment would strike section 804 of the bill and substitute new language that would limit the amount of compensation that could be paid annually on cost contracts by the United States to any employee of a defense contractor to the rate of pay provided to the President of the United States (\$200,000). The amendment would apply to all employees, executive or otherwise, and would apply to payments on contracts already in effect. (Section 804 will replace the current-law caps on compensation for defense contractor executives. Those caps, which have been enacted in the last several years and which have slight variations, limit the total Federal pay that any defense contract executive may receive to \$250,000 annually, though that limit only applies to total pay from cost contracts. Pay that executives receive from Federal fixed-price contracts is not limited, and pay is not limited based on pay from non-Federal sources. Additionally, the caps only apply proactively. For large defense contractors especially, which have many multiyear contracts in effect and which have many fixed-price contracts, the caps have not had much effect. President Clinton proposed a formula to replace the current caps. That formula, which was based on average compensation levels for executives of firms of various sizes, would have resulted in companies of larger firms having their annual cost-contract pay capped at \$4 million. Instead, the Armed Services Committee proposed section 804 of this bill. Section 804 will not allow pay under a cost contract to a defense executive to exceed the average amount of annual pay received from cost contracts by executives of companies with sales in excess of \$50 million annually. That amount is currently \$340,000. The limit will apply to all income from cost contracts, whether defense or nondefense, and will apply regardless of when the contract was entered into. The limit will apply only to the five top executives of a company.)

(See other side)

YEAS (83)				NAYS (16)		NOT VOTING (1)	
Republican (52 or 95%)		Democrats (31 or 70%)		Republicans (3 or 5%)	Democrats (13 or 30%)	Republicans (0)	Democrats (1)
Abraham	Helms	Baucus	Inouye	Grassley	Akaka		Mikulski- ²
Allard	Hutchinson	Bingaman	Kerrey	Hutchison	Biden		
Ashcroft	Inhofe	Breaux	Kerry	Jeffords	Boxer		
Bennett	Kempthorne	Bryan	Kohl		Durbin		
Bond	Kyl	Bumpers	Landrieu		Feingold		
Brownback	Lott	Byrd	Lautenberg		Harkin		
Burns	Lugar	Cleland	Levin		Johnson		
Campbell	Mack	Conrad	Lieberman		Kennedy		
Chafee	McCain	Daschle	Moynihan		Leahy		
Coats	McConnell	Dodd	Murray		Moseley-Braun		
Cochran	Murkowski	Dorgan	Reid		Reed		
Collins	Nickles	Feinstein	Robb		Wellstone		
Coverdell	Roberts	Ford	Rockefeller		Wyden		
Craig	Roth	Glenn	Sarbanes				
D'Amato	Santorum	Graham	Torricelli				
DeWine	Sessions	Hollings					
Domenici	Shelby						
Enzi	Smith, Bob						
Faircloth	Smith, Gordon						
Frist	Snowe						
Gorton	Specter						
Gramm	Stevens						
Grams	Thomas						
Gregg	Thompson						
Hagel	Thurmond						
Hatch	Warner						

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

Debate was limited by unanimous consent. Following debate, Senator Thurmond moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

Our colleagues' amendment misses the mark. It would have almost no effect on the large defense contractors that it is trying to hit, but it would seriously harm smaller contracting companies with greatly needed technical expertise. The amendment would lower the pay cap to \$200,000, it would apply it to all current and future Federal cost contracts, and it would apply it to all employees of a defense contractor rather than just the top executives. If this amendment were agreed to, our colleagues would be back again next year with another amendment because they would have again failed to make an appreciable dent in the pay for top defense contractor executives. Those executives would still be making millions of dollars, and a lot of that money would be coming from fixed-price contracts with the Federal Government and from cost contracts with the private sector. (Fixed-price contracts are contracts for which a company agrees to provide products or services at a particular price. As far as we are concerned, a company that meets an agreed-upon price may pay its executives whatever it wishes. None of the proposals advanced, including this amendment, have attempted to limit pay from fixed-price contracts, nor should they). In addition to being ineffectual, the Boxer/Grassley amendment would cause a great deal of harm. The amendment would apply to all employees of a defense contractor. Many of the smaller defense contractors provide very technical, highly specialized services. Technical expertise is not cheap. People with advanced computer, engineering, and other skills are in high demand in today's marketplace. A recently completed Information Technology Association of America study found that there are approximately 190,000 unfilled technology positions nationwide, with almost 20,000 unfilled positions just in the Washington metropolitan area. The shortage is even more acute for people with cutting edge skills who command far more than \$200,000 in wage and benefits in the marketplace. Smaller companies are much more likely to operate on cost contracts, and they are much more likely to operate in niche markets that depend almost entirely on defense contracts. If the Boxer/Grassley amendment were to pass, it would make it impossible for these companies to afford qualified technical personnel. There is already a huge shortage; if defense contractors are required to pay much less than market prices, then people will not be hired. We remind our colleagues that America's military superiority is based on its technological edge--the Boxer/Grassley amendment would seriously dull that edge. The solution in this bill is preferable. It will allow defense contractor executives to earn the industry average for private sector executives on cost contracts. It will be much more effective than current law in that it will apply to all cost contracts--future, current, private, and public. It will be much more effective in limiting executive compensation than the Boxer/Grassley amendment, and it will not hurt our technological defense edge. We urge our colleagues to support the bill provisions by voting to table the Boxer/Grassley amendment.

Those opposing the motion to table contended:

The United States should not pay anyone excessive rates of compensation. A few years ago, however, it came to our attention that the top executives of defense contractors were earning millions of dollars per year off defense contracts. No military officer or soldier who puts his life on the line to defend the country earns anywhere near that amount; in fact, some of the enlisted people whose job it is to use the weaponry made by these contractors earn so little they qualify for welfare. When we described this outrageous situation to our colleagues they quickly agreed that compensation should be capped. For each of fiscal years 1995-1997 caps of \$250,000 were enacted. These caps, we thought, were more than generous, considering that the President of the United States only earns \$200,000. This year we asked the GAO to investigate how the caps were working. We were dismayed by the results of that investigation. It turns out that the previous caps were so full of loopholes that most of the executives' income, including from the Federal Government, was not affected. They consequently still made millions of dollars per year. Our colleagues on the Armed Services Committee have tried to fix the problem in this bill. We commend them for their effort, and we note that their proposal is better than the Administration's proposal, but it just does not go far enough. It would only apply to the top executives of a company, and it would still let executives get \$140,000 more per year from the taxpayers than even the Presidents gets. The Boxer/Grassley amendment, by contrast, would set a hard cap of \$200,000 annually from the Federal Government. No person, executive or otherwise, would get paid more by the taxpayers than would the President. The main objection our colleagues have to this proposal is that they do not believe that people who have highly technical abilities will be willing to work for \$200,000 or less. We disagree. Such people have no less commitment to this country than do other Americans. Many people of tremendous abilities have foregone private careers, and the much higher salaries that come with those careers, to pursue careers in public service. Venality will not trump patriotism. The Boxer/Grassley amendment would set a compensation limit, \$200,000, that we guarantee that nearly every American will agree is fair. We urge our colleagues to support this fair limit.